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UNCLAS SECTION 01 OF 02 THE HAGUE 002667

SIPDIS

STATE FOR DRL/IL, EUR/ERA, EUR/UBI
DEPT OF LABOR FOR ILAB
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E.O. 12958: N/A

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SUBJECT: STRIKES AND PROTESTS IN THE NETHERLANDS - A BREACH
IN THE POLDER?

REF: The Hague 2569

INTRODUCTION/SUMMARY

1. On September 21, the Dutch government introduced a set of budget reforms to abolish pre-pension and early retirement schemes and cut expenditures for many social programs, including social security and disability (reftel). The reforms, an effort to address the problem of an aging society where the average employee stops working at the age of 59, will reduce budget expenditures by 2.5 billion euros (USD 3.1 billion). Strikes by firefighters, port workers, garbage workers, airport employees, ambulance drivers and tram operators in opposition to the reforms reached a climax on October 2 when Dutch trade unions mobilized more than 200,000 people in a demonstration in Amsterdam. This burst of activity emboldened the unions, who continue to call for strikes (rail and transit workers staged a nationwide strike on October 14) and for a national referendum on the early retirement and pre-pension plans. After tinkering with its reform package, the government currently refuses to revisit its pre-pension/early retirement plans.

THE PROTEST

2. The Dutch traditionally shy away from labor confrontation. In the past decade, an average of 19 days per 1,000 employees has been lost to strikes in the Netherlands, fewer than half the level of the United States and one-sixth the level of Italy. The 200,000 plus turnout for the October 2 Amsterdam protest impressed organizers, who hoped for only 100,000 demonstrators. Some have described it as the largest labor rally in Dutch history; it was the fourth largest political rally on record.

REVIVAL OF THE LABOR MOVEMENT?

3. Lodewijk de Waal, chair of the FNV, the largest labor union federation (and generally supportive of the opposition PvdA party), admitted to Global Officer the rank and file of his federation have for the past 10 years become complacent as steady economic growth made most union members comfortably middle class and they have acquiesced to the consensus/polder model of economic cooperation with management and government. He acknowledged the leadership, generally more "radical"/confrontational than the membership, needed a rallying issue. The government, by proposing these reforms, may have given it to them. Unions taking part in the protest announced a surge in membership applications in the days leading to the event. In the last six weeks, membership in the public service workers' union Abvakabo, for example, has enjoyed a tenfold increase in applications, with 5,000 new members.

4. In an attempt to address trade union concerns, the coalition government scaled back 1 billion euros of cuts to jobless benefits and dropped plans to raise tuition fees. Wouter Bos, parliamentary leader of the PvdA, said he thought unions could achieve further reductions to the budget cuts if they maintained pressure. The government, however, said it would make no further concessions. On October 4, it rejected union demands for a referendum on the early retirement and pre-pension changes and declined to reopen discussions with unions on the issue.

5. The coalition government is nonetheless exploring avenues to reinstitute dialogue and reach a compromise with labor forces on other points of contention. D66 (a center-left member of the governing coalition) parliamentary leader Boris Dittrich spoke October 6 with FNV vice-chairman Agnes Jongerius. While stressing that tax breaks for early retirement should be abolished, CDA (center-right senior member of coalition) parliamentary leader Maxim Verhagen conceded there was room for talks on shaping early retirement schemes for professions characterized by hard physical labor and under the "life-cycle savings" plan, which allows workers to use accumulated leave hours to retire early. Labor Minister Aart Jan De Geus (of the CDA) has suggested letting CDA State Secretary for Defense and Prime Minister Balkenende confidant Cees van der Knaap explore how the unions and the Cabinet might begin talks.

Chairman of the Social Economic Council Herman Wijffels has expressed his willingness to mediate such discussions, if interim PM (and Finance Minister) Gerrit Zalm calls for his participation. Zalm, of the Liberal Party (VVD, the free market, conservative member of the three-party coalition) and the principal proponent of the budget reforms, has said van der Knaap's involvement is a CDA initiative, not a Cabinet one, implying that VVD ministers see no need for mediation. Even so, Zalm approved of van der Knaap's probing efforts to see whether there is a basis for talks with the unions. Van der Knaap has started talking to the FNV and employers federation, even as PvdA leader Bos calls the government's handling of this "non"-mediation effort "clumsy."

WHAT'S NEXT?

16. The labor federations could join with opposition parties and seek to force a referendum on the early retirement and pre-pension changes. They would have to wait until parliament adopted the budget (sometime after November 18) and then collect more than 600,000 signatures by year's end. This is unlikely. The FNV threatens to continue strikes, particularly in the healthcare, public transport, metal, construction, and municipal public service sectors. Although supportive of repeal of the government's proposed reforms, the two other main trade union federations, the CNV and FNH, oppose "political strikes," arguing they victimize employers in a dispute between unions and the coalition government. Furthermore, Wijffels predicted labor unrest would damage the country's competitive power, arguing, "if in the end, the early retirement and pre-pensions plans remain unchanged, employers will have to pay for them, and labor costs will only rise." The government could also negotiate. It has indicated its willingness to enter into a dialogue with labor and management, one restricted, however, to "new" subjects such as youth unemployment and innovation.

17. Negotiations could forestall strikes (which are already diminishing public support for the unions). Negotiations, however, would succeed only if the coalition, and Finance Minister Zalm in particular, changes its position against revisiting the early retirement and pre-pension proposals. This is unlikely given Zalm's strong support for the reforms. Trade unions, management, and the coalition government, therefore, may fall back on the Dutch "polder" model, where conflicts are resolved via consensus. The trade unions may agree to the coalition government's plans to transform the early retirement and pre-pension schemes in return for amendments to the life-cycle scheme to reflect the alternative early retirement plan tabled by the economic policy agency (CPB). Such a resolution would give the scheme a collective element and expand the transition period for full implementation of the reforms by approximately five to ten years. The government would save the core of its life-cycle plan and shore up its position in recent political polls. Such a resolution would provide the government an opportunity to address criticism from banks, pension funds, insurers and economic forecasters that in the reform's current form only 5 per thousand workers would opt for the plan and the current short transition given is likely to create chaos. A resolution reached with the polder model would likewise give trade unions the impression that the strikes have not been in vain.

POLITICAL IMPLICATIONS/COMMENT

18. A Dutch opinion poll conducted after the October 2 demonstration exemplifies the event's political potential. The Maurice de Hond poll shows if parliamentary elections were held now, Prime Minister Balkenende's coalition government would retain only 49 of its 77 seats in the parliament (of 150 seats). Opposition parties with ties to labor - most notably the PvdA - would enjoy a substantial gain with the PvdA winning 55 seats (up from 42). The governing coalition believes significant changes need to be made to Dutch social policy in order to survive in the current competitive global economy. Therefore, the cabinet has currently ruled out negotiations over parliament-approved, OECD- and IMF-endorsed changes to early retirement and worker disability schemes. Since the government does not have to hold elections until 2008, it hopes taking these steps now will lay a foundation for economic growth in the future - and the voters will reward it then.

SOBEL